

Child Welfare Financing SFY 2014:

A survey of federal, state, and local expenditures

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Acknowledgments

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We'd love to hear your thoughts on this publication. Has it helped you or your organization? Email us at feedback@childtrends.org

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Executive summary

Child welfare agencies across the United States protect and promote the welfare of children and youth who are at risk of, or have been found to be victims of, maltreatment. The work of these agencies—encompassing a range of oversight and services—is an expensive endeavor: a total of \$29.1 billion in federal, state, and local funds was spent in state fiscal year (SFY) 2014. To fund this work, states use multiple funding streams, each with its own unique purposes, eligibility parameters, and limitations. This complex financing structure plays a critical role in determining what services are available to children and families, the approaches used to care for children, and the way that child welfare agencies operate. Therefore, to understand the challenges and opportunities child welfare agencies face in serving vulnerable children, it is critical to understand how their work is financed.

Child Trends conducted this, the ninth national survey of child welfare agency expenditures, for SFY 2014. This round revealed a 1 percent decrease in total spending (as compared to the previous round), with a decrease in federal funds spent by child welfare agencies, and a slight increase in state/local funds. However, a more dramatic picture emerges when trends are examined over the past decade. Overall expenditures have decreased, and the funding composition has shifted to greater dependency on state and local funds. Policy changes and economic conditions have contributed to this change in composition and how states use their funds. This report is one of an array of resources compiled from the survey's findings. State-specific and funding source fact sheets are also available at the [Child Trends website](#).

Key findings

Overall expenditures

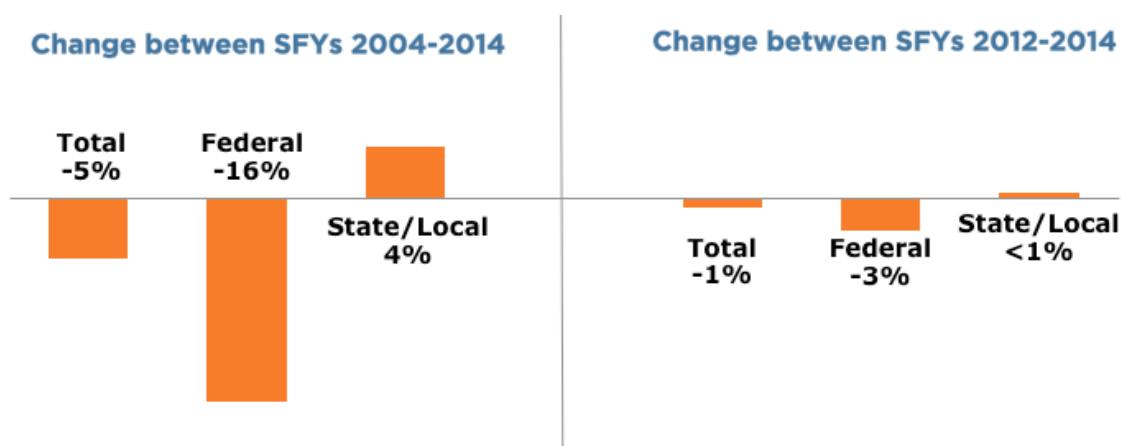
In keeping with past surveys, this report includes examinations of child welfare agency expenditures from federal, state, and local funding sources for SFY 2014, and analyses of changes over time.

- **Despite an overall 1 percent decrease in child welfare spending between SFY 2012 and SFY 2014, states varied widely in the magnitude and direction of changes in their spending.** Of the 48 states that had sufficient data in both SFY 2012 and SFY 2014, 23 states reported a decrease and 25 reported an increase in child welfare expenditures. Decreases ranged from less than one percent to a 58 percent decrease, and increases ranged from less than one percent to a 27 percent increase.
- **States are spending less federal money.** The decrease in total (combined federal, state, and local) expenditures was driven by a 3 percent decrease in the use of federal funding since SFY 2012. Title IV-E was the only federal funding source that saw an increase in expenditures during this time, and this was limited to the Adoption Assistance and Guardianship Assistance program areas. Federal funds spent on child welfare activities have decreased 16 percent since 2004. The federal funding structure is complex, and several factors contribute to states spending fewer federal funds. For example, there are fewer federal funds available due to pressures on TANF and other sources not dedicated to child welfare activities. In addition, eligibility criteria for the largest dedicated funding source—Title IV-E—remain tied to 1996 poverty levels, which becomes more limiting with each passing year.
- **States are spending more of their own funds.** While state and local funds spent on child welfare increased only slightly since SFY 2012 (<1 percent), they have increased by 4 percent since SFY 2004. The proportion of total child welfare funds coming from state and local sources also increased since that time, from 53 percent in SFY 2004 to 57 percent in SFY 2014.

What are Title IV-E waiver funds?

The Child Welfare Waiver Demonstration authority provides states with an opportunity to use federal funds more flexibly through Title IV-E waiver projects in order to test innovative approaches to child welfare service delivery and financing. Through this program, states can design and demonstrate a wide range of approaches to reform child welfare and improve outcomes in the areas of safety, permanency, and well-being. States that accept waivers do not receive additional funds over what they would have received without the waiver; they use their waiver dollars for traditional IV-E services and populations as well as innovative services and new populations. On the SFY 2014 survey, 18 states reported waiver expenditures for projects in various stages of implementation.

Change in child welfare spending between SFYs 2004-2014 and SFYs 2012-2014



Use of funds

States were asked on the survey about how they used specific funding sources. Among the key findings:

- **Ten percent of Title IV-E waiver funds spent by states in SFY 2014 (roughly \$100 million) were used to support services/activities that are not traditionally funded via Title IV-E (e.g., prevention services, parenting services, and kinship supports). The remaining 90 percent were spent on activities (e.g., maintenance payments and case worker activities on behalf of children in care) that would be permitted without a waiver.** However, states did use almost one third of the waiver funds (32 percent) on activities for children who, without the waiver, would not have been eligible for traditional Title IV-E support due to income, placement type, or how they came into foster care. With the waivers currently set to expire after the current round, which ends in 2019, states will have to find other funds to cover those services/activities.
- **States' utilization of flexible funding streams varies.** Certain federal sources (specifically, the Social Services Block Grant (SSBG) and Temporary Assistance for Needy Families (TANF)) give states relatively broad discretion in the kind of child welfare activities that can be funded. States reported that their top uses of these sources in SFY 2014 included family support/family preservation/reunification services (for TANF) and prevention services (for SSBG), none of which receive significant amounts of funding from other federal sources. Utilization of these funding streams for child welfare purposes varies by state. In SFY 2014, twelve states did not use TANF, while in one state TANF represented 76 percent of the federal funds used by the child welfare agency (Wyoming). Three states did not use SSBG in SFY 2014, and in one jurisdiction (Puerto Rico), SSBG represented 58 percent of federal funds used by the child welfare agency.
- **Only about half of total federal and state/local funds were used for out-of-home placements; adoption and guardianship was the second-largest category of federal spending, followed closely by child protective services and in-home preventive services.** Although the public generally associates child welfare with foster care, only around half of all expenditures went to support out-of-home placements in the form of foster care payments, case management activities for children in foster care, and reunification services for children in foster care and their parents. Notably, only 15 to 17 percent of total funds spent by child welfare agencies in SFY 2014 went towards in-home services designed to prevent child abuse and neglect. The balance of funds went to support child protective services, adoption and legal guardianship costs, and services and assistance for older youth in, or previously in, foster care. There is wide variation in states' use of their funds, however (discussed further in the body of the report).

Role of recent legislation

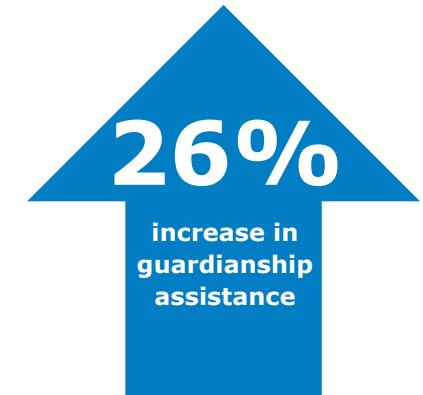
Several shifts in funding at the federal level are beginning to affect the states.

- **Sequestration has impacted federal child welfare financing sources.** Of the primary child welfare federal funding sources, three (Title IV-E, Medicaid, and TANF) were protected from sequestration and two (Title IV-B and SSBG) were affected. The decrease in total federal expenditures was driven by substantial decreases in funding from three federal sources, two of which were affected by sequestration in Federal Fiscal Year (FFY) 2014 (Title IV-B and SSBG).

Sequestration, or across-the-board spending cuts, is a fiscal policy enacted by Congress in 2011 designed to automatically reduce the federal budget in the event Congress failed to pass a deficit-reducing budget by a specified time.

- **Implementation of the Fostering Connections to Success and Increasing Adoptions Act has influenced Title IV-E expenditures on Adoption Assistance and Guardianship Assistance programs.**

As the adoption assistance eligibility requirements broadened, the number of children receiving subsidies and the overall funding level grew as well. There was a 3 percent increase in adoption assistance payments in SFY 2014 over SFY 2012, and a 26 percent increase in Guardianship Assistance Program (i.e., “GAP” or “KinGAP”) expenditures in the same time period. Although GAP expenditures are still lower than projected, more states have taken up the option to have a Guardianship Assistance Program and states with existing programs saw expansions in SFY 2014.





Introduction

Child welfare agencies in the United States are charged with ensuring the safety, permanency, and well-being of children who have been abused or neglected, as well as those deemed at risk of abuse or neglect. Agencies in each state provide a range of services designed to protect and promote the welfare of children and youth determined to be at-risk of, or victims of, maltreatment. During federal fiscal year (FFY) 2014 (October 1, 2013 to September 30, 2014), child welfare agencies received an estimated 3.6 million referrals for suspected child abuse or neglect of approximately 6.6 million children (U.S. DHHS, ACF, ACYF, 2016). These agencies served approximately 653,000 children in foster care (U.S. DHHS, 2015).

In carrying out their responsibilities, most child welfare agencies use a combination of federal, state, and/or local funding sources. These sources include multiple funding streams, each with its own purposes and requirements. This financing system plays a role in the choices that states make about how children are cared for, what services they receive, and how child welfare agencies operate overall. Therefore, to understand the challenges and opportunities child welfare agencies face in serving vulnerable children, it is critical to understand how their work is financed.

This report represents the ninth national survey of state-level child welfare financing. With support from The Annie E. Casey Foundation and Casey Family Programs, Child Trends requested and received financial data from all 50 states, the District of Columbia, and Puerto Rico, for a total of 52 participating “states.”¹

This report summarizes key findings on child welfare agency expenditures from federal, state, and local funding sources for state fiscal year (SFY) 2014.^{2,3} When possible, we make comparisons to reported amounts from prior years and highlight state variation.^{4,5} Additional information about each of the main funding sources and detailed state-specific information are available in accompanying fact sheets on the [Child Trends website](#).

¹ For the purposes of the survey, Washington, D.C. and Puerto Rico are considered to be states and referred to as such throughout this report. For more on the survey’s methodology, please contact the authors.

² Each state reported data based on their state fiscal year 2014, which for most states is July 1, 2013 to June 30, 2014. Of the 52 states, only six (AL, DC, MI, NY, TX, and WY) reported a different SFY calendar.

³ The survey captures funds expended by child welfare agencies, but not funds expended by other agencies (such as health or education agencies) on children served by the child welfare system.

⁴ The survey instrument has been revised over the nine rounds of the survey, so some data are not directly comparable.

⁵ To enable comparisons, all dollar amounts from previous years have been inflated to 2014 levels using the consumer price index (accessed on www.measuringworth.com/uscompare/). In previous reports, the gross domestic product deflator was used to inflate figures. In addition, when making comparisons between two years, we excluded from analyses states that lacked sufficient data in either year.

Total child welfare agency spending

Child welfare agencies reported spending a total of \$29.1 billion in federal, state, and local funds on child welfare services in SFY 2014.^{6, 7} Figure 1 below reflects the total reported expenditures for the states that participated in the child welfare finance survey since 2004. [Note: The number of states that provided sufficient data for each round of the survey varies, which means the amounts depicted in the graph may not be directly comparable and are likely an underestimate of the actual total spending.]

Figure 1. Total reported child welfare expenditures, SFY 2004 – SFY 2014



Note: The figures presented in this graph reflect total reported expenditures. The number of states providing sufficient data for each round of the survey varies. Therefore, the amounts depicted in the graph may not be directly comparable and are likely an underestimate of true total spending. For example, while this graph shows the same expenditures in SFYs 2004 and 2014, total expenditures actually decreased by 5 percent between the two years when comparisons are limited to data from states with sufficient information in both years. Figure 2 presents comparable data over time.

There was a 1 percent decrease in total child welfare spending between SFY 2012 and SFY 2014.^{8, 9} Despite a decrease in overall child welfare expenditures between SFYs 2012 and 2014, the direction and magnitude of change varied considerably among states: 23 states reported a decrease (decreases ranged from <1 percent to 58 percent) and 25 states reported an increase (increases ranged from <1 percent to 27 percent) in total spending between the two years.¹⁰ Among states with comparable data over the past decade, total child welfare expenditures have decreased by 5 percent (see Figure 2).¹¹ [Note: Figure 2 presents data from 30 states with comparable data over the past decade. As a result, the amounts presented in Figure 2 differ from the total reported amounts presented in Figure 1. To make accurate comparisons over time, Figure 2 should be used.]

⁶ In previous iterations of this survey, child support expenditures by child welfare agencies were treated as “other federal funds” and included in the total amount of federal funds and total amount of funds overall. This year, we treated child support as its own category separate from federal, state, and local funds (although a few states [Montana, Pennsylvania, and Wisconsin] kept child support expenditures in the amount they reported for “other federal funds”). This year, states reported \$64.9 million in child support dollars that were collected on behalf of children in foster care and made available to child welfare agencies (13 states were unable to provide this information). Note that these child support dollars are those made available to child welfare agencies as opposed to actual expenditures. As a result, this year we did not include child support in the total amount of funds (from federal, state, and local sources combined). While child support dollars are a relatively small share of child welfare expenditures, we still urge readers to exercise caution in making direct comparisons between the reported amounts of other federal funds, total federal funds, and total funds over the years due to the reclassification of these dollars. If you have additional questions about how this reclassification affects comparability of data, please contact the authors.

⁷ The survey did not collect information about private dollars granted to child welfare agencies. Therefore, total spending is likely underestimated by a small amount.

⁸ When making comparisons between funding levels or funding proportions between two or more years, we restricted the analysis to states with comparable data in the years being compared. This is because some states provided incomplete information or did not respond to the survey in some years.

⁹ Based on an analysis of 48 states with comparable data in SFYs 2012 and 2014.

¹⁰ This year, we counted any positive change as an increase, and any negative change as a decrease, regardless of magnitude.

¹¹ Based on an analysis of 36 states with comparable data in SFYs 2004 and 2014.

Figure 2. Change in child welfare expenditures, SFY 2004 – SFY 2014 (30 states with comparable data)

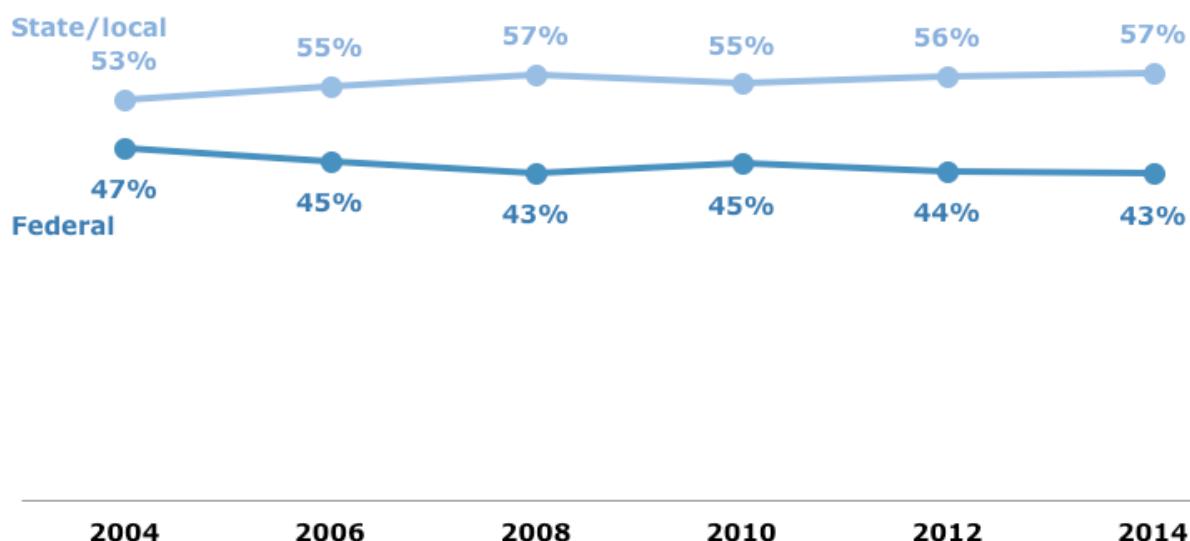


Note: The figures presented in this graph reflect an analysis of 30 states with comparable data across all six years. Therefore, the figures presented differ from the amounts presented in Figure 1. See footnote 8 for more information.

Funding sources

Child welfare agencies use a mix of federal, state, and local funds to support the vulnerable children and families they serve. As shown in Figure 3, in SFY 2014, more than half (57 percent) of all dollars spent by child welfare agencies came from state and local sources.¹² Over the past decade, the federal share of all child welfare spending has gradually decreased while the state and local share has gradually increased.

Figure 3. Federal and state/local spending, SFY 2004 – SFY 2014 (30 states with comparable data)

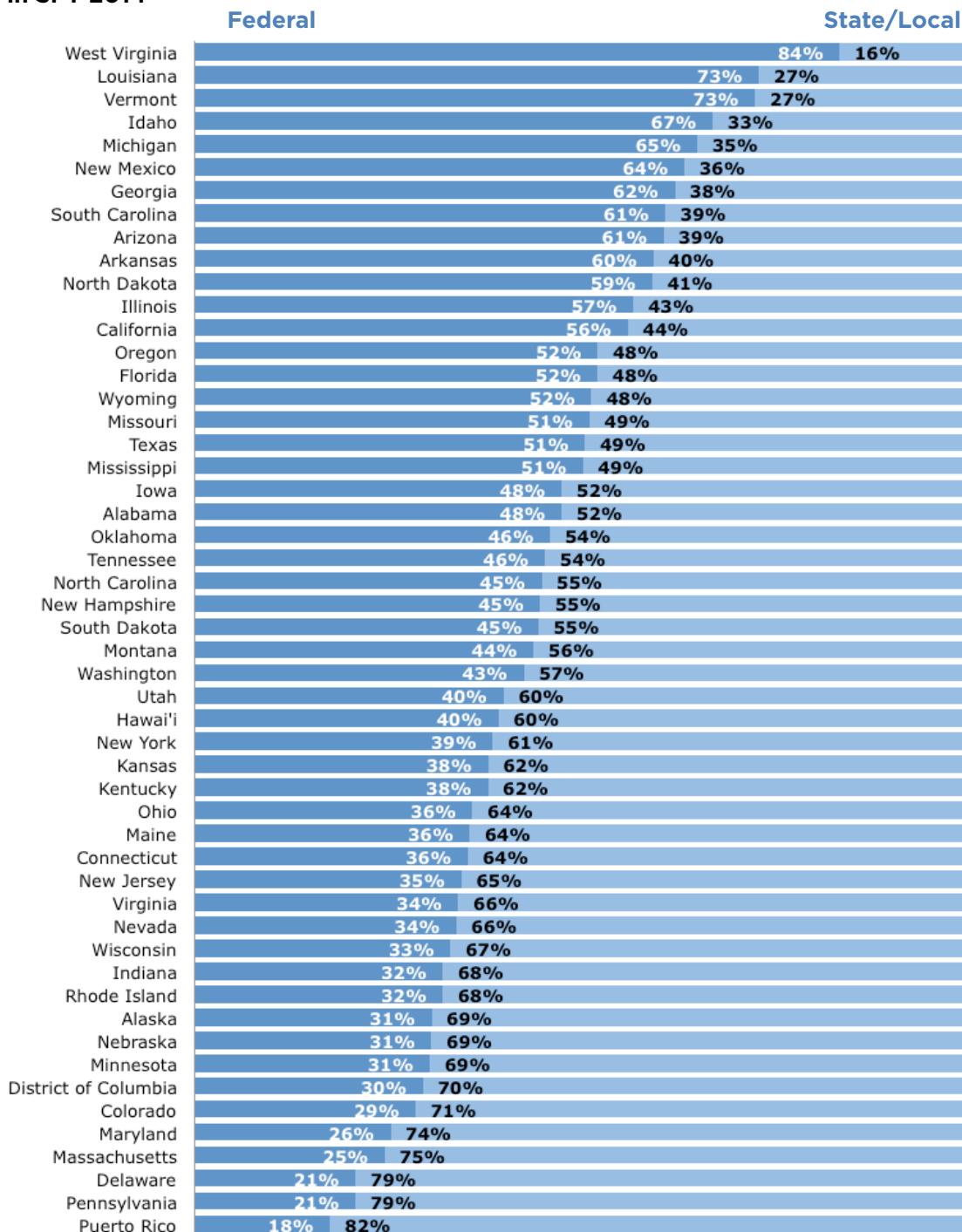


Note: Based on an analysis of 30 states with comparable data across all six years. Some states provided incomplete information or did not respond to the survey in some years.

¹² Based on an analysis of 30 states with comparable data across SFYs 2004, 2006, 2008, 2010, 2012 and 2014.

As shown in Figure 4, states vary greatly in how their overall child welfare agency expenditures are split between federal and state/local sources.

Figure 4. Proportion of states' total child welfare expenditures from federal and state/local sources in SFY 2014



Note: Louisiana was unable to provide information about local spending. Therefore, their proportion of state/local funds may be understated.

Federal funds

There are a variety of federal funding sources that support the provision of child welfare services in states. Some are dedicated specifically to child welfare activities (primarily Titles IV-B and IV-E of the Social Security Act), while others are designed for broader purposes but allow for spending on child welfare activities (e.g., Medicaid, the Social Services Block Grant (SSBG), Temporary Assistance for Needy Families (TANF), and a host of other federal grants and awards).

In SFY 2014, states reported spending \$12.8 billion in federal funds on child welfare activities.¹³ As shown in Figure 5 below, the use of federal funds has continued to decrease during the past decade, with an overall 16 percent decrease since SFY 2004,¹⁴ and a 3 percent decrease from SFY 2012.¹⁵

Figure 5. Total federal expenditures, SFY 2004 – SFY 2014 (38 states with comparable data)



Note: The figures presented in this graph reflect an analysis of 38 states with comparable data across all six years. Therefore, the total amount of SFY 2014 federal expenditures presented in this graph (\$9.6 billion) differs from the total amount presented in the text (\$12.8 billion). See footnote 8 for more information.

¹³ As referenced earlier, child support was treated differently in this year's survey (captured in a separate category from the federal, state, and local funds); therefore, we urge caution in making comparisons between total federal funds over the years. See footnote 6 for more information.

¹⁴ Based on an analysis of 42 states with comparable data in SFYs 2004 and 2014.

¹⁵ Based on an analysis of 50 states with comparable data in SFYs 2012 and 2014.

Federal spending by service category

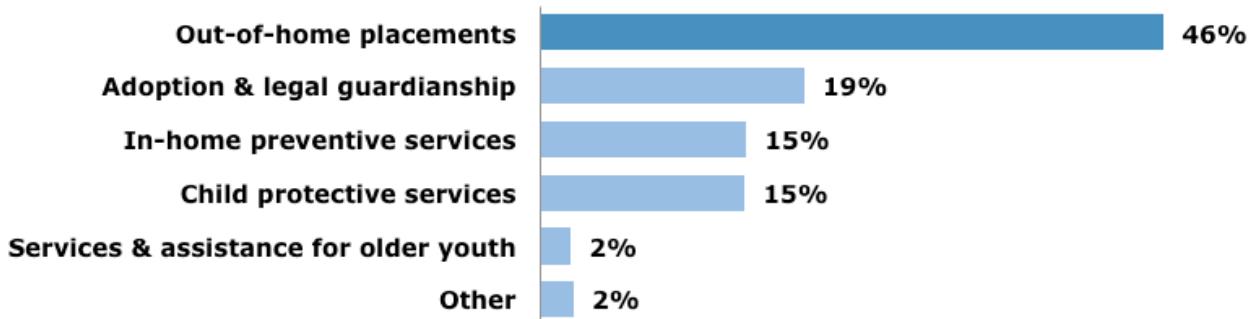
States were asked on the survey to report what types of services were funded with their federal dollars during SFY 2014. We asked states to report the proportion spent in the following categories:

Category	Included services and activities
In-home services to prevent child abuse or neglect and/or to prevent foster care placement or re-entry	<ul style="list-style-type: none">- Family support or family preservation services provided to children who are not in foster care;- In-home caseworker supports or services provided after a child abuse/neglect investigation or assessment is closed;- Any post-reunification services or supports; and- All associated administrative costs
Child protective services	<ul style="list-style-type: none">- Intake/screening;- Family assessment;- Investigation;- Services provided during the investigation/assessment; and- All associated administrative costs
Out-of-home placement costs	<ul style="list-style-type: none">- Foster care maintenance payments (including for youth 18 and older);- Case planning and review activities for all children in foster care;- Services provided to children in foster care or their parents (e.g., to enable reunification); and- All associated administrative costs.
Adoption and legal guardianship costs	<ul style="list-style-type: none">- Ongoing and non-recurring assistance payments and any other post-adoption or post-guardianship services or supports; and- All associated administrative costs
Services and assistance for older youth in, or previously in, foster care¹⁶	<ul style="list-style-type: none">- Costs spent to provide services or supports intended to help youth make a successful transition from foster care to adulthood;- Services for youth who have aged out of foster care or who left foster care (for any reason) at age 16 or older; and- All associated administrative costs.
Other	

¹⁶ This category excludes foster care maintenance payments for youth 18 and older, which are captured in the out-of-home placement category.

As illustrated in Figure 6, **nearly half of all federal funds were used by states to finance out-of-home placement costs**. The second largest category was adoption and legal guardianship costs (19 percent of all federal dollars), followed by child protective services and in-home preventive services to prevent maltreatment (15 percent each).

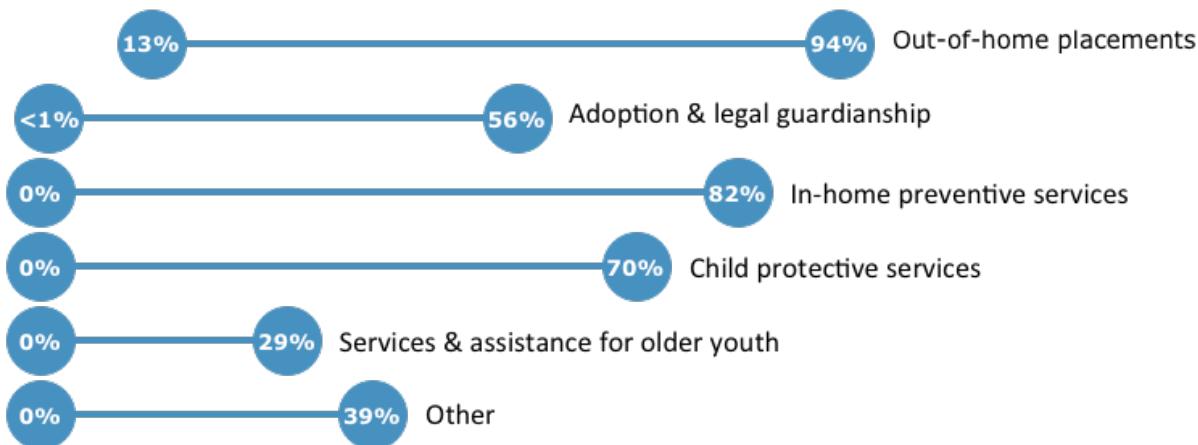
Figure 6. Proportion of federal expenditures on categories of services



Note: Based on an analysis of 46 states that provided sufficient information. Most states were only able to provide approximations for how their funds were spent. Percentages do not equal 100 percent due to rounding.

Among the 46 states that were able to report this information, there was tremendous variation in how states use their federal funds. Figure 7 below shows the range in proportion of federal funds spent for each category. For more state-specific information, please see the state fact sheets.

Figure 7. Range in proportion of federal expenditures on categories of services



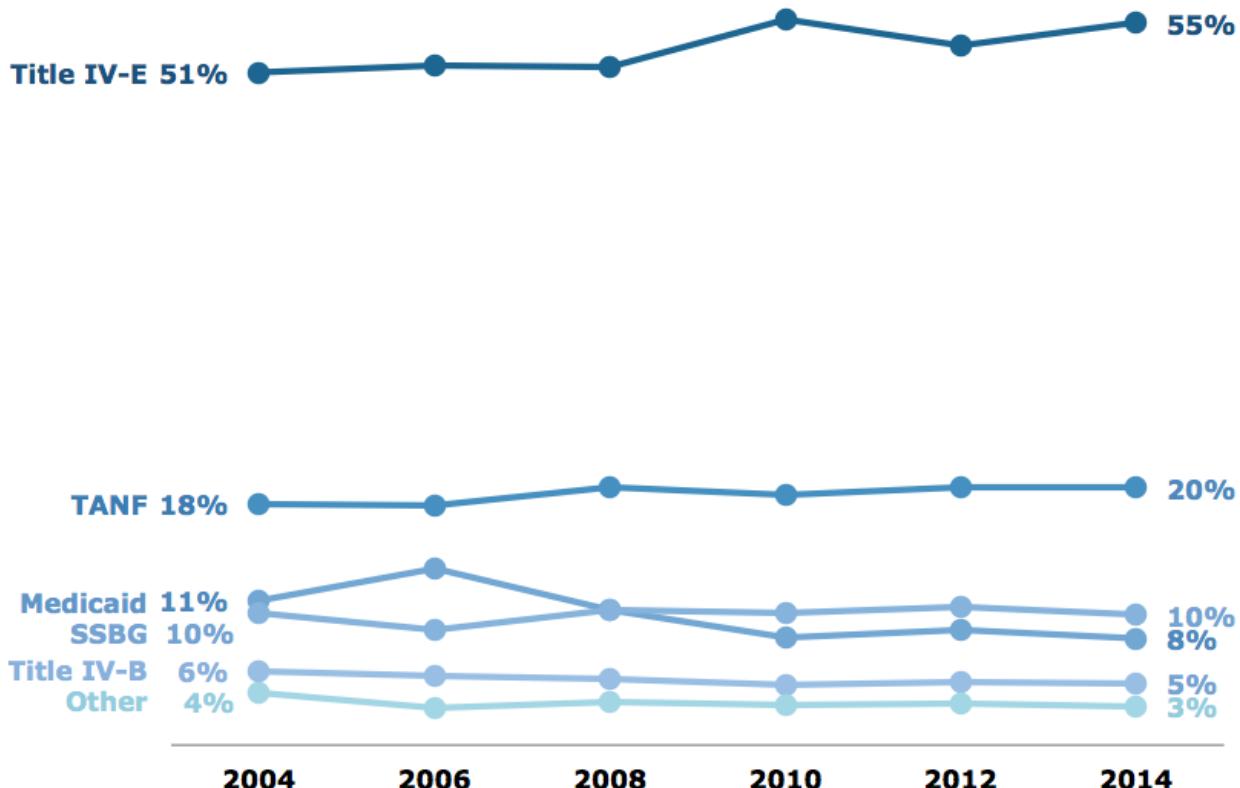
Note: Based on an analysis of 46 states that provided sufficient information. Most states were only able to provide approximations for how their funds were spent.

Federal spending by source

Consistent with previous rounds of the survey, **Title IV-E represented the largest federal funding stream for child welfare agencies in SFY 2014**, comprising 55 percent of all federal expenditures. The second largest federal source was TANF (20 percent), followed by SSBG (10 percent) and Medicaid (8 percent).¹⁷ Title IV-B and the category of “other federal funds” remained the smallest proportion of federal dollars (5 percent and 3 percent, respectively). The proportion of expenditures from each of the major federal funding sources has remained relatively stable over the decade, in most cases fluctuating by no more than a few percentage points over time (see Figure 8).

¹⁷ In the child welfare financing survey, Medicaid expenditures only refer to funds that came through the state child welfare agency. It excludes Medicaid funds that came through other agencies for services provided to children in foster care.

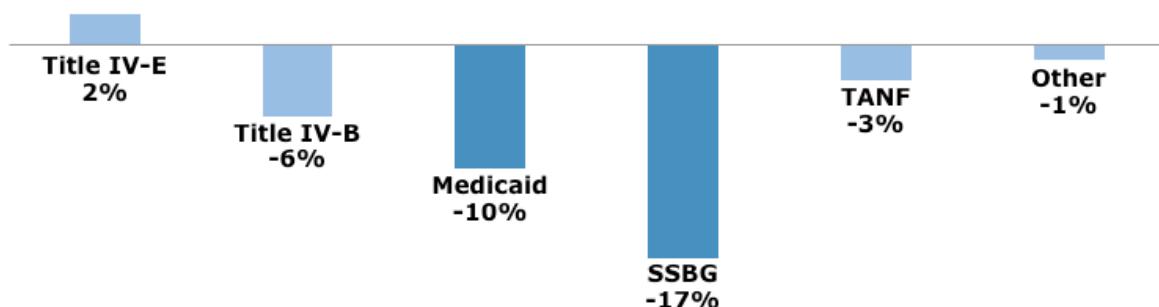
**Figure 8. Proportion of total federal funds from each major federal source, SFY 2004 – SFY 2014
(38 states with comparable data)**



Note: Based on an analysis of 38 states with comparable data across all six years. Percentages may not total 100 percent due to rounding.

While the proportion of expenditures from each federal funding source has remained relatively stable, each source's total expenditures changed between SFY 2012 and SFY 2014—most notably, Medicaid and SSBG (see Figure 9). These changes are discussed in more detail below.

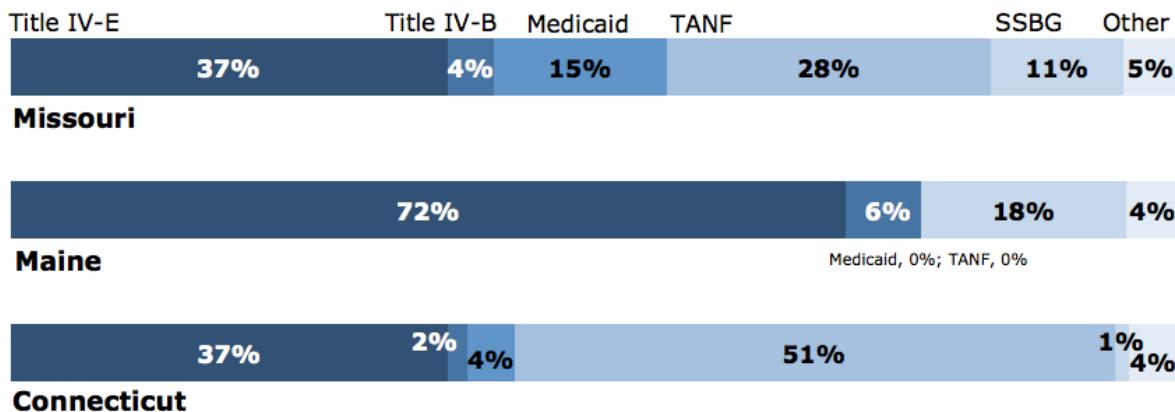
Figure 9. Change in child welfare spending between SFY 2012 and SFY 2014, by federal funding source



Note: For each funding source, the percentage change was computed based on analysis of states with comparable data for that particular source for the two years being compared.

It is important to recognize that states vary with regard to their use of these federal sources. As an example, in Figure 10 we show the proportion of federal funds from each of the major funding sources for three states: Connecticut, Maine, and Missouri. As the figure makes clear, each state is unique in how they use federal funding sources to finance child welfare activities.

Figure 10. State variation in the proportion of federal funds from each major source, SFY 2014



Note: Percentages may not total 100 percent due to rounding.

Title IV-E of the Social Security Act

As mentioned above, the largest federal funding stream for child welfare activities is Title IV-E of the Social Security Act, which is composed of the Foster Care, Adoption Assistance, Guardianship Assistance, Chafee Foster Care Independence programs and the current waiver demonstration projects. In SFY 2014, states spent \$6.8 billion in federal Title IV-E funds.¹⁸ As shown in Figure 11 below, this represents a 2 percent increase from SFY 2012¹⁹ and a 6 percent decrease since SFY 2004.²⁰

Figure 11. Total Title IV-E expenditures by child welfare agencies, SFY 2004 – SFY 2014 (48 states with comparable data)



Note: The figures presented in this graph reflect an analysis of 48 states with comparable data in all six years. Therefore, the total amount of SFY 2014 IV-E expenditures presented in this graph (\$6.7 billion) differs from the total amount presented in the text (\$6.8 billion). See footnote 8 for more information.

¹⁸ Tribes were not individually contacted regarding their child welfare expenditures.

¹⁹ Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

²⁰ Based on an analysis of 48 states with comparable data in SFYs 2004 and 2014.

Title IV-E Foster Care Program

The Title IV-E Foster Care Program is an entitlement program in which the federal government reimburses each state for a set percentage of eligible costs in the following categories:

- a) maintenance payments that cover the costs of shelter, food, and clothing for eligible children;²¹
- b) child placement services and administrative costs related to foster care for eligible children;^{22,23} and
- c) expenses related to the training of staff and foster parents for eligible children.²⁴

Entitlement programs require payments to persons, state/local governments, or other entities if specific eligibility criteria established in law are met. Entitlement payments are legal obligations of the federal government.

Children who are eligible for the Title IV-E foster care program include those in out-of-home placements who would have been considered financially “needy” in the homes from which they were removed, based on measures in place in 1996 under the Aid to Families with Dependent Children (AFDC) program; have entered care through a judicial determination or voluntary placement; and are in a licensed or approved foster care placement.

In SFY 2014, states reported spending \$3.2 billion in federal IV-E foster care program funds.²⁵ This represents a 7 percent decrease from SFY 2012.^{26,27} Out of the total \$3.2 billion, \$1.3 billion was used for foster care maintenance payments (a 6 percent decrease since SFY 2012), and \$1.9 billion was used for child placement services and other administrative costs, training, and Statewide Automated Child Welfare Information System (SACWIS) activities (a 7 percent decrease since SFY 2012).²⁸

Title IV-E Federal Foster Care coverage rate

Nationally, only around half of children in out-of-home placements are covered under Title IV-E.

States were asked on the survey to report the percentage of children in out-of-home placements during SFY 2014 for whom the state received federal reimbursement through Title IV-E for foster care maintenance payments. Nationally, 51 percent of children received this reimbursement in SFY 2014.²⁹

However, as in previous rounds of the survey, states varied greatly in terms of their individual coverage rates (see Figure 12 below for variation in rates), ranging from a low of 20 percent in Wyoming to a high of 77 percent in Ohio.³⁰ Please note that our methodology for calculating the coverage rate differs from the federal government methodology, and has been improved since the last iteration of this survey. Therefore, we urge caution when comparing the coverage rate to other sources or over time.

²¹ Federal reimbursement is provided based on the state's Federal Medical Assistance Percentage (FMAP), which varied from 50-73.05 percent in FFY 2014 (U.S. HHS, 2014).

²² Children who are candidates for foster care are also eligible for IV-E administrative expenses.

²³ Administrative expenses are reimbursed by the federal government at a 50% rate.

²⁴ Training expenses are reimbursed by the federal government at a 75% rate.

²⁵ States were instructed to report any IV-E waiver dollars separately from any other IV-E dollars, meaning that a state could have reported \$0 for any of the individual IV-E programs (e.g., foster care, adoption assistance). However, that does not mean that the state did not use IV-E dollars for foster care, adoption assistance, etc.; rather, it means that all of their expenditures for those kinds of services or activities were captured under the IV-E waiver amount they reported. See below for more about IV-E waivers.

²⁶ Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

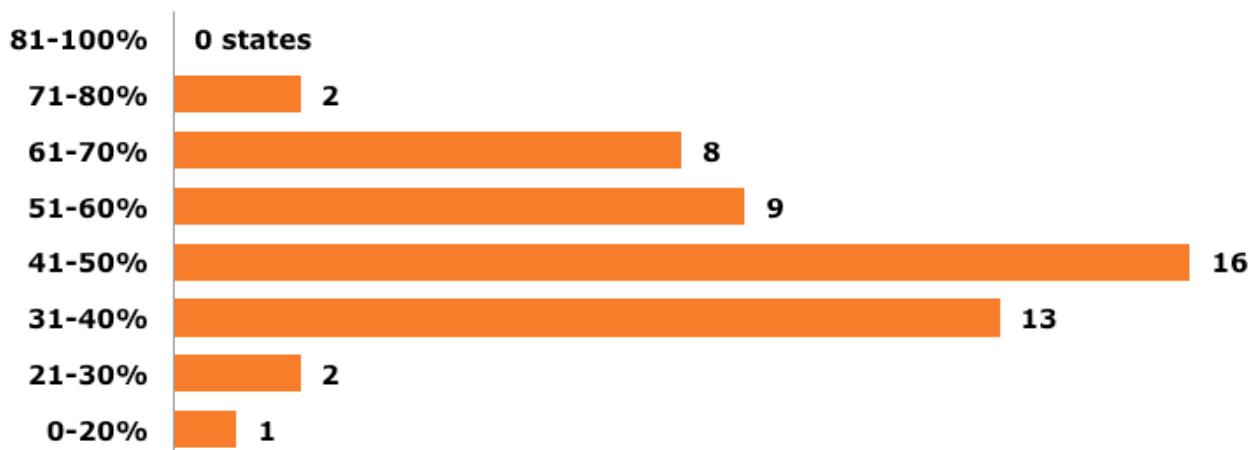
²⁷ Title IV-E Foster Care program expenditures are heavily influenced by how many and which states have active IV-E waivers in place during the time period. Because of this, overall trends in funding amounts need to be considered in conjunction with waiver information.

²⁸ Percentage change is based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

²⁹ On the SFY 2014 survey, states were asked to report (1) the total number of children in care during SFY 2014 who were determined to be eligible for Title IV-E foster care maintenance payments and for whom the state claimed Title IV-E foster care maintenance reimbursement (numerator), and (2) the total number of children in care during SFY 2014 (denominator). We then divided the numerator by the denominator to produce a coverage rate (referred to as the “penetration rate” in prior reports) for each state. To compute a national coverage rate, we used data from the U.S. Department of Health & Human Services to weight the states’ rates. (Please contact the authors for detail on the methodology used.) *This method differs from the calculation of coverage rates in previous years, therefore making comparisons to prior years is not advised.*

³⁰ Excluding Puerto Rico due to their unique status as a territory. Their foster care coverage rate was 11 percent.

Figure 12. SFY 2014 state Title IV-E foster care coverage rates, by range



Note: Puerto Rico is excluded from this graph due to their unique status as a territory.

Title IV-E Adoption Assistance Program

Similar to the Foster Care Program described above, the Title IV-E Adoption Assistance Program is an entitlement program in which the federal government reimburses each state for a set percentage of eligible costs in the following categories:

- adoption assistance payments on behalf of eligible children;³¹
- placement services and administrative costs related to adoptions of eligible children from foster care;³² and
- expenses related to the training of staff and adoptive parents for eligible children.³³

Children are eligible for the Title IV-E Adoption Assistance Program if they are adopted from foster care and have “special needs” (as determined by the state). In addition, they must meet one of the following criteria: (1) they would have been considered financially needy in the homes from which they were removed, based on measures in place in 1996 under the AFDC program; (2) they are eligible for Supplemental Security Income (SSI); (3) they are children whose costs in a foster care setting are included in the IV-E foster care maintenance payment being made on behalf of their minor parents; or (4) they were eligible for IV-E adoption assistance in a previous adoption but their adoptive parents died or the parents’ rights to the children were dissolved.

The Fostering Connections to Success and Increasing Adoptions Act of 2008 (often referred to as the Fostering Connections Act) provides that, as of FFY 2018, any child determined by a state to have special needs will be eligible for recurring IV-E adoption assistance payments. This expansion of eligibility criteria began in FFY 2010 and, as it rolls out, we expect the number of children qualifying for the adoption assistance program to increase. For children adopted in FFY 2014, the expanded eligibility applied to children with special needs who (1) were age 8 or older when adopted; (2) had been in care for 60 continuous months; or (3) were a sibling of a child who met the age or length-of-stay requirement and were being placed in the same adoptive family as that sibling.

As expected, expenditures and number of payments for adoption assistance are on the rise. In SFY 2014, states reported spending \$2.3 billion in federal IV-E adoption assistance program funds. This represents an increase of 2 percent over SFY 2012 adoption assistance spending.³⁴ Out of the total \$2.3

³¹ Federal reimbursement is provided based on the state’s FMAP.

³² Administrative expenses are reimbursed by the federal government at a 50% rate.

³³ Training expenses are reimbursed by the federal government at a 75% rate.

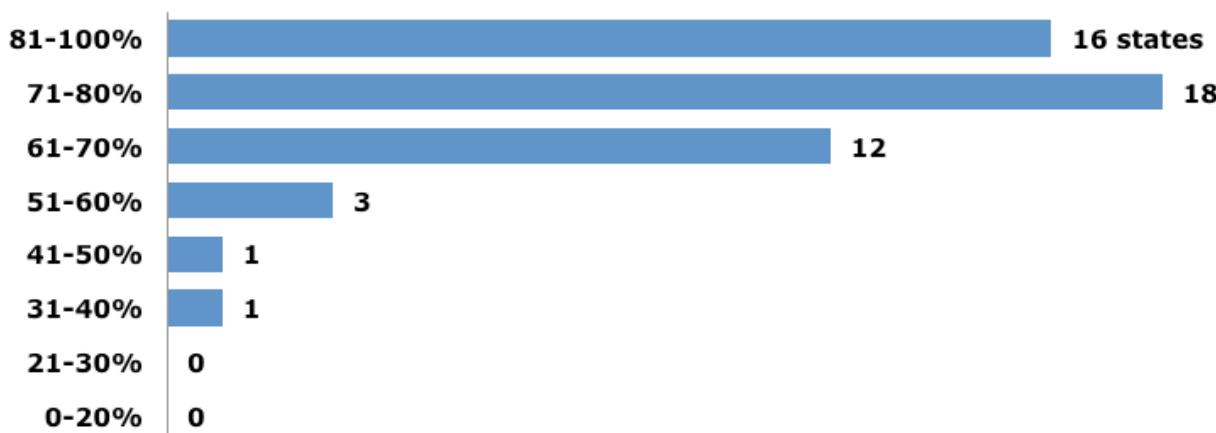
³⁴ Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

billion, the bulk of expenditures went toward adoption assistance payments (\$1.9 billion; a 3 percent increase over SFY 2012) and a relatively small amount was used for administrative costs and training (\$409 million; a 2 percent decrease from SFY 2012).³⁵ The overall increase in this program was likely due in part to the expanded eligibility criteria, which resulted in more children for whom payments were made. According to IV-E claims data from HHS, the average monthly number of children for whom IV-E adoption assistance payments were made was almost 426,000 in FFY 2012, while in FFY 2014 the number of children had increased to around 437,000.

Title IV-E Adoption Assistance coverage rate

Nationally, 77 percent of children receiving an adoption subsidy were supported by a Title IV-E adoption assistance payment.³⁶ The national IV-E adoption coverage rate is much higher than the national IV-E foster care coverage rate. This could be due in part to the different eligibility criteria for the two programs. As with the foster care rates described above, states varied widely in their SFY 2014 adoption assistance coverage rates (see Figure 13). Among states that reported adoption assistance claims, rates ranged from a low of 37 percent in Wyoming to a high of 92 percent in Ohio. Please note that our methodology for calculating the coverage rate differs from the federal government methodology, and has been improved since the last iteration of this survey. Therefore, we urge caution when comparing the coverage rate to other sources or over time.

Figure 13. SFY 2014 state Title IV-E adoption coverage rates, by range



Note: Puerto Rico is excluded from this graph due to their unique status as a territory. Puerto Rico reported a 0 percent rate since they had no adoption assistance claims in SFY 2014.

Title IV-E Guardianship Assistance Program

The Fostering Connections Act gives states the option to operate a Title IV-E Guardianship Assistance Program (also referred to as “GAP” or “KinGAP”). As with the foster care and adoption programs, KinGAP is an entitlement program in which the federal government reimburses each state for a set percentage of eligible costs in the following categories:

- a) kinship guardianship assistance payments to relatives who become the legal guardians of eligible children for whom the relatives previously served as foster parents.³⁷

³⁵ Percentage change is based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

³⁶ On the SFY 2014 survey, states were asked to report (1) the total number of children receiving adoption subsidy payments during SFY 2014 for whom the state claimed Title IV-E funds as reimbursement (numerator), and (2) the total number of children receiving adoption subsidy payments during SFY 2014 (denominator). We then divided the numerator by the denominator to produce a coverage rate (also known as a penetration rate) for each state. To compute a national coverage rate, we used data from HHS to weight the states’ rates. (Please contact the authors for detail on the methodology used). *This method differs from coverage rate calculation in previous years, so making comparisons to prior years is not advised.*

³⁷ Federal reimbursement is provided based on the state’s FMAP.

- b) placement services and administrative costs related to guardianships from foster care of eligible children;³⁸ and
- c) expenses related to training for staff and guardians of eligible children.³⁹

Children are eligible for KinGAP if they are exiting foster care to legal guardianship with relatives and meet the following conditions: (1) the child has been eligible for Title IV-E foster care maintenance payments while residing in the home of a prospective relative guardian for at least six consecutive months; (2) the state or tribe has determined that returning home or being placed for adoption are not appropriate for the child; (3) the child demonstrates a strong attachment to the prospective relative guardian and the prospective guardian is committed to caring permanently for the child; and (4) for children age 14 and older, the child has been consulted regarding the kinship guardianship arrangement. Siblings of eligible children placed in the same kinship guardianship arrangement may also benefit from the program.⁴⁰

Thirty states reported spending \$81.7 million in federal IV-E guardianship assistance program funds, an increase of 26 percent from SFY 2012.⁴¹ This increase can be attributed to the fact that more states claimed guardianship assistance funds than in the previous survey, and existing KinGAP programs also grew in SFY 2014. Based off HHS Title IV-E claims data, states claimed IV-E guardianship assistance for an average of 13,500 children per month in FFY 2012. In FFY 2014, this number had grown to 17,700.

Chafee Foster Care Independence Program/Education and Training Vouchers

The Chafee Foster Care Independence Program allocates funding to states for expenses related to independent living activities that prepare youth to successfully transition out of foster care. Funding can also be used for services for some young people who have already left foster care. The Education and Training Voucher (ETV) component of the program provides vouchers of up to \$5,000 per year for post-secondary education or vocational training. Unlike the other Title IV-E programs, the Chafee program operates as a capped entitlement, with only a designated amount of funds available for what are referred to as independent living funds. Funding for the ETV component is discretionary with the amount subject to annual appropriations, which can vary from year to year. A state must provide a 20 percent match for the Chafee program (i.e., they must provide \$1 for every \$4 in federal funding it receives through the Chafee program).

For a program funded through a **discretionary** spending approach, the authority for program activity is established through an authorization law, but the decision as to how much that activity will actually be funded, if at all, is left to the annual appropriations process.

In SFY 2014, states reported spending \$171.1 million in federal IV-E Chafee program/ETV funds, which represents a decrease of 6 percent from SFY 2012.⁴²

Title IV-E waivers

Resulting from legislation enacted in 2011, there is time-limited authority granted through the Social Security Act for the federal government to waive state compliance with specific Title IV-E eligibility requirements for states participating in approved child welfare demonstration projects. These cost-neutral demonstration projects (or “waiver projects”) are designed to promote innovation in the design and delivery of child welfare services to support child safety, permanency, and well-being. While there is variation across states in the goals of the demonstration projects, many of the waiver projects focus on enhanced assessment, family engagement, and expansion of the service array for children at risk of entering, in, or preparing to leave care. Waiver projects are required to be cost-neutral, i.e., states do

³⁸ Administrative expenses are reimbursed by the federal government at a 50% rate.

³⁹ Training expenses are reimbursed by the federal government at a 75% rate.

⁴⁰ Additionally, the Fostering Connections Act states that children who were receiving guardianship payments or services under a Title IV-E demonstration waiver as of September 30, 2008 remain eligible for Title IV-E assistance or services under the same terms or conditions established previously in any terminated Title IV-E guardianship waiver.

⁴¹ Based on an analysis of 50 states with comparable data in SFYs 2012 and 2014.

⁴² Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

not receive more federal funds than they would have in the absence of the waiver. This can be achieved through a pre-negotiated capped amount of funds (all or part of the state IV-E foster care claims) or through the design of the project. Even with a waiver, states are required to cover all activities they are obligated to provide as part of the IV-E program.

The Child and Family Services Improvement and Innovation Act of 2011 (P.L. 112-34) renewed the Title IV-E waiver authority that had expired in 2006, authorizing HHS to approve up to 10 new demonstration projects in each of three years (FY2012-FY2014). On our survey, 18 states reported waiver expenditures for SFY 2014.⁴³

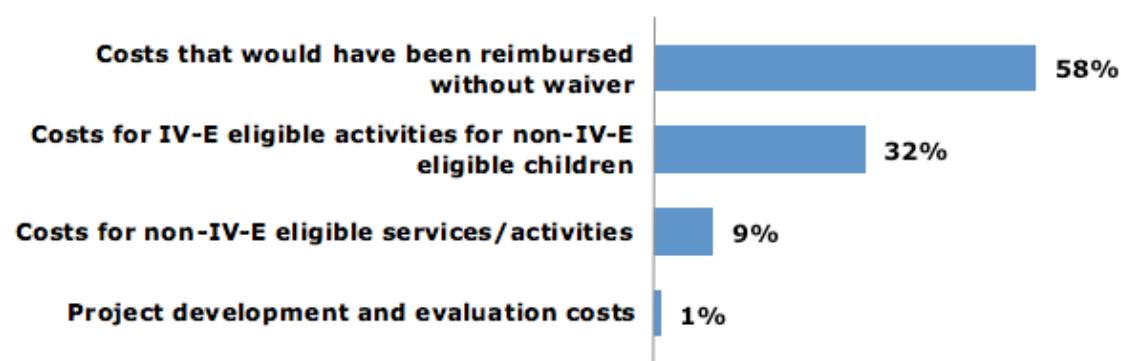
Of the total \$29.1 billion in reported child welfare expenditures for SFY 2014, nearly \$1.1 billion is associated with IV-E waiver-related expenditures by 18 states operating a IV-E waiver that year. Funds accessed through a waiver can be used to cover four different types of expenditures:

- 1) Costs that would have been reimbursed without the waiver. These are the costs for IV-E eligible children to receive IV-E eligible activities.
- 2) Costs for IV-E eligible activities for children who would **not** qualify for IV-E under traditional eligibility criteria.
- 3) Costs for services/activities falling outside traditional IV-E eligible categories (for any child, regardless of IV-E eligibility).
- 4) Project development and evaluation costs mandated by participation in the waiver projects.

Use of IV-E waiver funds

States reported that in SFY 2014, almost one third of their waiver funds were used to provide activities that are already eligible for IV-E reimbursement to children not traditionally eligible for Title IV-E. Only nine percent of waiver funds were used for new services and activities not previously reimbursable under Title IV-E. Nearly 60 percent were spent on traditional IV-E eligible expenditures (see Figure 14).

Figure 14. Title IV-E waiver spending in SFY 2014 (among 18 states)



Note: Ohio was unable to separate "costs for IV-E eligible activities for non-IV-E eligible children" and "costs for non-IV-E eligible services/activities." They reported costs for both categories as "costs for non-IV-E eligible services/activities." Therefore, the true percentage for "costs for non-IV-E eligible services/activities" is likely somewhat lower and the percentage for "costs for IV-E eligible activities for non-IV-E eligible children" is likely somewhat higher.

Almost \$100 million, less than 10 percent of waiver dollars, were spent on services and activities that are not eligible for traditional IV-E reimbursement. States reported paying for such activities as prevention services, parenting services, kinship supports, and treatment/therapy for children and families with these funds. Of the 18 states reporting waiver expenditures, 11 spent some waiver dollars on services and activities that are not eligible for traditional IV-E reimbursement.

⁴³ Tribes were not individually contacted regarding their child welfare expenditures.

Title IV-B of the Social Security Act

Title IV-B of the Social Security Act includes two components, referred to as subparts 1 and 2. Subpart 1 is a discretionary grant program composed primarily of the Stephanie Tubbs Jones Child Welfare Services (CWS) program. CWS funds can be used for a broad variety of child welfare services, including but not limited to the prevention of maltreatment, family preservation, family reunification, services for foster and adopted children, and training for child welfare professionals. A small number of states also continue to use it for foster care. This funding is awarded by formula. In FFY 2014, subpart 1 also included dollars awarded competitively through the Child Welfare Research, Training, and Demonstration Project, and Family Connection Grants.

Subpart 2, the Promoting Safe and Stable Families (PSSF) program, has both capped entitlement and discretionary funding components. This program primarily funds family support, family preservation, time-limited reunification, and adoption-promotion and support activities, with a requirement that at least 20 percent of the funds go to each of these categories of service. In FFY 2014, subpart 2 also included set-asides for improving caseworker visits, improving outcomes for children affected by parental substance abuse, Court Improvement Programs, and for research, evaluation, training, and technical assistance. For both subparts, states determine which individuals are eligible for services funded with Title IV-B dollars. Funds to improve outcomes for children affected by parental substance abuse (commonly referred to as regional partnership grants, or “RPGs”) and funds for research, evaluation, training and technical assistance are awarded competitively. Subpart 2 funds for all other purposes are distributed by formula. Generally, for both subparts, states must provide a 25 percent match, with 75 percent of program costs (up to the state’s maximum allotment) borne by the federal government. (i.e., states must provide \$1 in non-federal IV-B funding for every \$3 in federal IV-B funding they receive).

States reported spending \$576.8 million in federal IV-B funds (both subparts combined) in SFY 2014.⁴⁴ As shown in Figure 15 below, **this represents a 6 percent decrease from SFY 2012⁴⁵ and a 25 percent decrease over the decade.⁴⁶** Part of this decrease can be attributed to sequestration, which affected a portion of the funds allocated under subpart 2. For instance, close to \$730 million was appropriated for Title IV-B by Congress in FFY 2012, but only \$689 million was made available in FFY 2014 (Stoltzfus, 2015).

Figure 15. Total Title IV-B expenditures by child welfare agencies, SFY 2004 – SFY 2014 (48 states with comparable data)



Note: The figures presented in this graph reflect an analysis of 48 states with comparable data across all six years. Therefore, the total amount of SFY 2014 IV-B expenditures presented in this graph (\$555.5 million) differs from the total amount presented in the text (\$576.8 million). See footnote 8 for more information.

⁴⁴ For this survey, states were asked to report only dollars claimed by the state/local child welfare agencies, and to exclude any IV-B dollars expended by non-profits, courts, or other entities in the state unless the funds flowed through the state/local child welfare agency to the outside entity. Thus, because some IV-B dollars may have gone directly to, and been spent by, these outside entities, the total reported here may not represent the state's total IV-B expenditures.

⁴⁵ Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

⁴⁶ Based on an analysis of 48 states with comparable data in SFYs 2004 and 2014.

Temporary Assistance for Needy Families

Temporary Assistance for Needy Families (TANF) is a federal block grant to states, which operates according to four overarching purposes:

- 1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- 2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- 3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
- 4) encourage the formation and maintenance of two-parent families.

A federal **block grant** is a financial aid package that grants federal funds to state and local governments for use in social welfare programs. Block grants provide money for general areas of social welfare, rather than for specific programs, and allows jurisdictions more freedom to choose how best to use the funds.

Maintenance of effort refers to a requirement for states to contribute a fixed amount of state funds in order to access federal TANF funds (Falk, 2016).

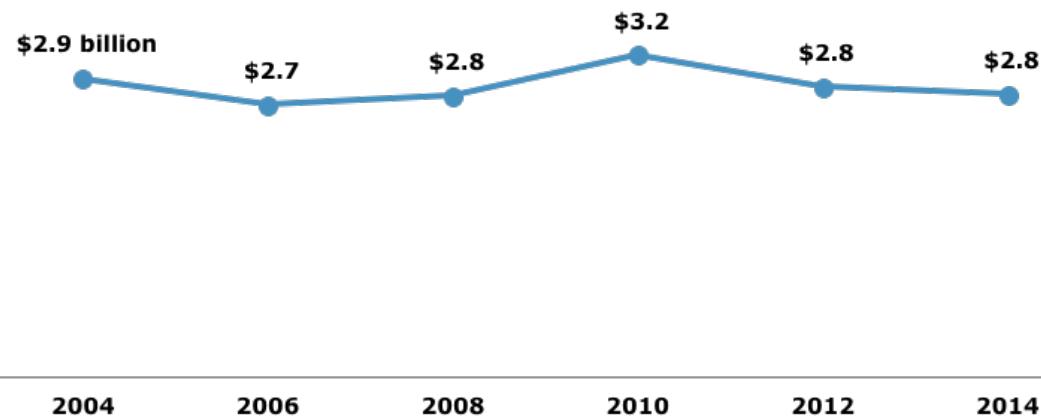
TANF, which combined the functions of the AFDC and Emergency Assistance programs, is primarily thought of as a cash assistance program for low-income families, but only around one-quarter of TANF dollars spent in FFY 2014 were used to provide basic (cash) assistance for families (Falk, 2016). Because TANF funds can be used for a wide array of services and supports aimed at achieving one of the program's four goals, it offers states flexible funding for supporting child welfare activities. Federal law allows states to use TANF funds to cover programs and activities a state had conducted under its pre-TANF Emergency Assistance program, and thus some states use TANF to fund foster care or adoption assistance for children ineligible for Title IV-E. Furthermore, federal law allows states to transfer up to 10 percent of TANF funds to the Social Services Block Grant (SSBG), which creates even greater flexibility for states in the use of the funds. While no state match is required for TANF, there are financial maintenance of effort requirements for states.

In SFY 2014, **child welfare agencies in 40 states reported spending a collective \$2.8 billion in federal TANF funds**. Twelve states reported that their child welfare agencies did not use TANF dollars for child welfare activities that year. As shown in Figure 16 below, total SFY 2014 TANF expenditures represent a **3 percent decrease from SFY 2012⁴⁷** and a 5 percent decrease over the decade.⁴⁸ Because TANF dollars are not dedicated to child welfare purposes, child welfare agencies may not have access to TANF dollars in every state or in every year, or may receive restricted or reduced funds in some years. This is particularly likely during times of economic downturn, when there is often increased pressure on the TANF block grant due to higher cash assistance caseloads.

⁴⁷ Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

⁴⁸ Based on an analysis of 48 states with comparable data in SFYs 2004 and 2014.

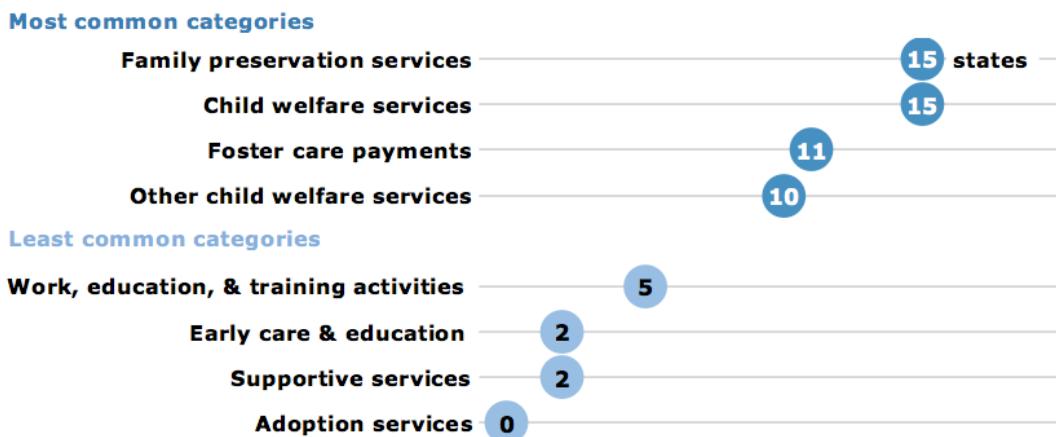
Figure 16. Total TANF expenditures by child welfare agencies, SFY 2004 – SFY 2014 (48 states with comparable data)



Note: The figures presented in this graph reflect an analysis of 48 states with comparable data across all six years. See footnote 8 for more information.

States were asked on the survey to rank the top three service categories on which their child welfare agencies spent TANF funds in SFY 2014. See Figure 17 for the most and least common services that states reported funding with TANF dollars in SFY 2014. More states reported “family preservation services” as the primary use of TANF funds than any other category.

Figure 17. TANF service categories reported by states, SFY 2014



Note: Based on data from the 40 states that reported TANF expenditures. The order was determined by counting the number of states that reported each service category as one of their top three services. The service categories were then ranked by the number of states placing that category in their “top three.” The formal TANF category names and definitions are available in the survey instrument (Child Trends, 2015).

Social Services Block Grant

The Social Services Block Grant (SSBG) is a flexible source of federal funds provided to states in support of five overarching policy goals:

- 1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;
- 2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency;

- 3) preventing or remedying neglect, abuse, or exploitation of children and adults who are unable to protect their own interests, or preserving, rehabilitating, or reuniting families;
- 4) preventing or reducing inappropriate institutional care by providing for community-based, home-based, or other forms of less intensive care; and
- 5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

There are 28 SSBG service categories defined in federal regulations, and many relate to child welfare, such as foster care services, protective services, case management, counseling services, home-based services, and more. State spending of SSBG dollars is not restricted to these categories, but rather these categories serve as a guide for reporting purposes. Based on the proportion of total SSBG expenditures, the two largest SSBG service categories in FFY 2014, child foster care services and child protective services, were related to child welfare (U.S. DHHS/ACF/OCS, 2016). Each state determines which individuals are eligible for services funded by SSBG.

SSBG funds are distributed to states through a formula-based appropriation with no state match required. In addition to their annual SSBG allotments, states are permitted to transfer up to 10 percent of the TANF block grant to SSBG. Once funds are transferred, they become available for SSBG's allowable uses (with some exceptions).

In SFY 2014, child welfare agencies in 49 states reported spending a collective \$1.4 billion in federal SSBG funds (including funds transferred from TANF). Three states reported that their child welfare agencies did not use SSBG dollars for child welfare activities in SFY 2014. As shown in Figure 18 below, SSBG expenditures in SFY 2014 **represents a 17 percent decrease from SFY 2012⁴⁹ and a 20 percent decrease over the decade.⁵⁰** Part of this decrease can be attributed to sequestration, which affected the SSBG program in FFY 2014. For instance, \$1.7 billion was appropriated by Congress for SSBG in FFY 2012, but only \$1.6 billion was made available in FFY 2014 due to sequestration (Lynch, 2016).

Figure 18. Total SSBG expenditures by child welfare agencies, SFY 2004 – SFY 2014 (47 states with comparable data)



Note: The figures presented in this graph reflect an analysis of 47 states with comparable data across all six years. Therefore, the total amount of SFY 2014 SSBG expenditures presented in this graph (\$1.3 billion) differs from the total amount presented in the text (\$1.4 billion). See footnote 8 for more information.

States were again asked to rank the top three categories of service and activities for which their child welfare agencies spent SSBG funds in SFY 2014. See Figure 19 for the three most and least common categories reported by states. More states reported “foster care services for children” as the primary use of SSBG funds than any other category.

⁴⁹ Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

⁵⁰ Based on an analysis of 48 states with comparable data in SFYs 2004 and 2014.

Figure 19. SSBG service categories and activities reported by states, SFY 2014



Note: Out of the 49 states that reported SSBG expenditures, 48 states provided information about the service categories funded by SSBG. The order was determined by counting the number of states that reported each service category as one of their top three services. The service categories were then ranked by the number of states placing that category in their “top three.” The formal SSBG category names and definitions are available in the survey instrument (Child Trends, 2015).

Medicaid

Medicaid is an open-ended entitlement program that provides health insurance to millions of low-income individuals. States and the federal government share the costs of Medicaid-covered expenditures, and the federal government reimburses states for eligible costs based on their FMAP.⁵¹

Children who are eligible for Title IV-E Foster Care, Adoption, or Guardianship assistance are automatically eligible for Medicaid. States have the option to extend Medicaid coverage to non-Title-IV-E eligible children, and most (33) states do.⁵² States providing Medicaid to non-IV-E eligible children in care do so through a number of mechanisms, including the State Child Health Insurance Program (for children from families with incomes too high to qualify for Medicaid), the “Ribicoff amendment” (which allows states to define a “reasonable” category of children to be covered by Medicaid as long as they meet 1996 AFDC asset and income requirements), or a 1115 or 1915(b) Medicaid waiver (which allows states to change Medicaid eligibility criteria). Children involved in the child welfare system may also be eligible for Medicaid through other mechanisms, such as their family income. Additionally, the Affordable Care Act (ACA) mandates that states extend Medicaid eligibility to some youth who age out of the foster care system up to age 26, regardless of their income. Currently, the mandate only applies to children who remain in the state where they had been in foster care and consequently eligible for Medicaid.

For the purposes of this survey, researchers asked states to report only those Medicaid funds which covered costs borne by the child welfare agency. It excludes Medicaid-funded costs for the child welfare population that were borne by any other agencies (e.g., the health department). In SFY 2014, child welfare agencies in 39 states reported spending a collective \$886.2 million in federal Medicaid funds

⁵¹ Though reimbursement for most Medicaid costs (including services) is generally at the state’s FMAP, there are some classes of expenses subject to other reimbursement rates. For example, costs considered to be program administration are reimbursed at 50%.

⁵² Out of the 50 states that responded to the relevant question on the survey (“In your state, is Medicaid coverage provided to all children in foster care regardless of the child’s Title IV-E eligibility?” Yes/No), 33 states indicated they provide Medicaid to all children in foster care while 17 states reported that they do not.

for child welfare activities. The remaining 13 states reported that their child welfare agencies did not use Medicaid dollars directly.⁵³ As shown in Figure 20, Medicaid expenditures by child welfare agencies in SFY 2014 represent **a 10 percent decrease from SFY 2012⁵⁴ and a 37 percent decrease over the decade.⁵⁵**

Figure 20. Total Medicaid expenditures by child welfare agencies, SFY 2004 – SFY 2014 (39 states with comparable data)



Note: The figures presented in this graph reflect an analysis of 39 states with comparable data across all six years. Therefore, the total amount of SFY 2014 Medicaid expenditures presented in this graph (\$0.8 billion) differs from the total amount presented in the text (\$0.9 billion). See footnote 8 for more information.

The decrease in Medicaid expenditures may be due to changes in how state child welfare agencies used Medicaid, rather than fewer Medicaid dollars being used to fund services for children in the child welfare system. For instance, child welfare agencies in some states reported that they have stopped claiming Medicaid for targeted case management services. Others have transitioned to managed care systems, while others have changed how Medicaid-eligible services are paid for (e.g., by shifting costs to another agency).

Of the 39 states that reported Medicaid expenditures by the child welfare agency in SFY 2014, the most common expenditures were for rehabilitative services (24 states, accounting for 62 percent of states using Medicaid), followed by services for children placed in treatment foster homes (17 states; 44 percent of states using Medicaid), “other” services or activities (16 states; 41 percent of states using Medicaid), and targeted case management (11 states; 28 percent of states using Medicaid). States were also asked whether any of these services were provided to children in foster care, but funded through an agency *other* than the public child welfare agency. Twelve states reported that other agencies (primarily health departments and Medicaid offices) fund these services for children in foster care.

Other federal funds

In addition to the major federal sources, there are a wide variety of additional federal funding streams that states may use to fund their child welfare activities, including:⁵⁶

- Child Abuse Prevention and Treatment Act (CAPTA) and/or Community Based Child Abuse Prevention (CBCAP)
- Children’s Justice Act

⁵³ For the survey, states were asked to report the Medicaid dollars claimed for child welfare services in SFY 2014 for which the child welfare agency paid the nonfederal match. Thus, the Medicaid dollars described in this report represent only those for which the child welfare agency was responsible for the non-federal share requirement. States were specifically asked to exclude Medicaid-funded costs for the child welfare population that were borne by other agencies (e.g., the health department). It should be acknowledged, therefore, that this understates (by a significant yet indeterminate amount) the degree to which Medicaid supports child welfare clients and child welfare activities overall in the United States.

⁵⁴ Based on an analysis of 50 states with comparable data in SFYs 2012 and 2014.

⁵⁵ Based on an analysis of 42 states with comparable data in SFYs 2004 and 2014.

⁵⁶ See the “Other Federal Funds” fact sheet for more information about each of these programs.

- Adoption Opportunities
- Adoption Incentive Awards
- Maternal, Infant, and Early Childhood Home Visiting
- Supplemental Security Income (SSI)
- Social Security Disability Insurance (SSDI)
- Social Security Survivor's Benefits
- Veteran's Administration funds

It is important to note, however, that similar to many of the major funding sources highlighted earlier in the report, there are competing demands on many of these funding streams, and thus they may not be fully available to the child welfare system.

In SFY 2014, child welfare agencies reported spending \$352 million in other federal funds.⁵⁷ This represents a 1 percent decrease since SFY 2012⁵⁸ and a 33 percent decrease over the decade.⁵⁹

As some states were unable to provide data for each of the “other” categories listed on the survey, the total amount reported here is likely an underestimate of actual spending from these sources. Additionally, it should be considered that shifts in this category between survey rounds are not surprising or unexpected given that this category is prone to reporting errors and includes grants and awards that may only provide one-time provisions for states.

State and local funds

In addition to federal sources, states spend their own dollars on child welfare services and activities. State and local funds are used to match federal funds or to meet a required maintenance of effort for a federal program, and to pay for additional costs federal funds do not cover. For most states, these funds come primarily from state dollars, though some states report using more local dollars than state dollars. The structure of a state’s child welfare system (i.e., state-administered or county-administered) contributes to the participation of localities in financing child welfare activities. However, some state-administered systems report local dollars expended on child welfare as well. In our survey, 23 states reported using local funds for child welfare services in SFY 2014, while 29 states reported using no local dollars.

In SFY 2014, states reported a collective spending of \$16.3 billion in state and local funds. This represents a slight increase over SFY 2012⁶⁰ and, as shown in Figure 21 below, a 4 percent increase over the decade.⁶¹

⁵⁷ Child support was treated differently in this round of the survey; therefore, we urge caution in making comparisons between other federal funds over the years. See footnote 6 for more information.

⁵⁸ Based on an analysis of 51 states with comparable data in SFYs 2012 and 2014.

⁵⁹ Based on an analysis of 48 states with comparable data in SFYs 2004 and 2014.

⁶⁰ Based on an analysis of 49 states with comparable data in SFYs 2012 and 2014.

⁶¹ Based on an analysis of 42 states with comparable data in SFYs 2004 and 2014.

Figure 21. Total expenditures of state and local funds by child welfare agencies, SFY 2004 – SFY 2014 (35 states with comparable data)

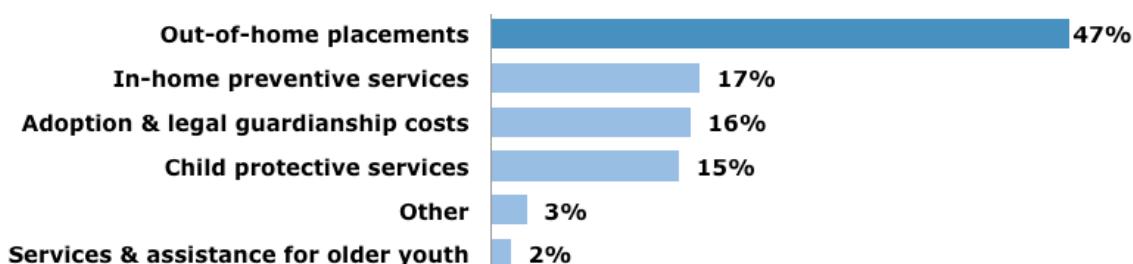


Note: The figures presented in this graph reflect an analysis of 35 states with comparable data across all six years. Therefore, the total amount of SFY 2014 state and local expenditures presented in this graph (\$12.2 billion) differs from the total amount presented in the text (\$16.3 billion). See footnote 8 for more information.

Use of state and local funds

States were asked to report how their state/local dollars were spent with regard to major child welfare service categories. As illustrated in Figure 22, nearly half of the state and local funds (combined) were used to finance out-of-home placement costs (similar to the federal dollar expenditure categories described earlier in the report). The second highest category was in-home services to prevent maltreatment (17 percent of all state/local dollars), followed by adoption and legal guardianship costs (16 percent) and child protective services (15 percent).

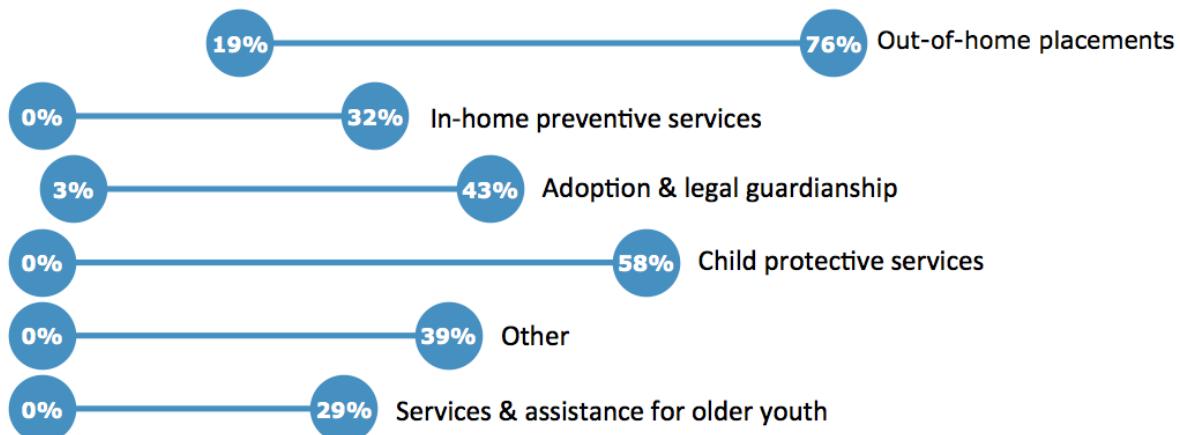
Figure 22. Proportion of state and local expenditures on categories of services



Note: Based on an analysis of 44 states that provided sufficient information. Most states were only able to provide approximations for how their funds were spent. See the “federal spending by service category” section, above, for definitions of each of these service categories.

Among the states able to report this information, states vary greatly in how they spend state and local dollars. Figure 23 below shows the range in proportion of state/local funds spent for each category. For more state-specific information, please see the state fact sheets on the [Child Trends website](#).

Figure 23. Range in proportion of state/local expenditures on categories of services



Note: Based on an analysis of 44 states that provided sufficient information. Most states were only able to provide approximations for how their funds were spent.

Discussion

Overall expenditures

This round of the child welfare financing survey, which collected data for SFY 2014, revealed a 1 percent decrease in total spending (as compared to the previous round), with a decrease in federal funds spent by child welfare agencies, and a slight increase in state/local funds. However, a more dramatic picture emerges when trends are examined over the past decade. Overall expenditures have decreased, and the funding composition has shifted to greater dependency on state and local funds.

In light of increasing numbers of maltreatment referrals, victims, and children in out-of-home care (U.S. DHHS/ACF/ACYF, 2016; U.S. DHHS, 2015), we might have expected to see increases in spending between SFY 2012 and SFY 2014, not just among state and local sources. However, as shown in past surveys, child welfare spending does not always align with the number of child protective services investigations/assessments or with foster care caseloads. Service costs and child welfare practice changes affect spending year to year, regardless of caseload changes. In addition, it is important to remember that child-specific needs and costs can vary dramatically and fluctuate from year to year, and child welfare agencies support children and families by providing both in-home and out-of-home care. As such, changes in the population of children and families served who are *not* in out-of-home care also impact the overall level of spending by a state child welfare agency. For example, between FFY 2012 and FFY 2014, there are indications that the number of children receiving prevention services decreased (U.S. DHHS/ACF/ACYF, 2013 & 2016).

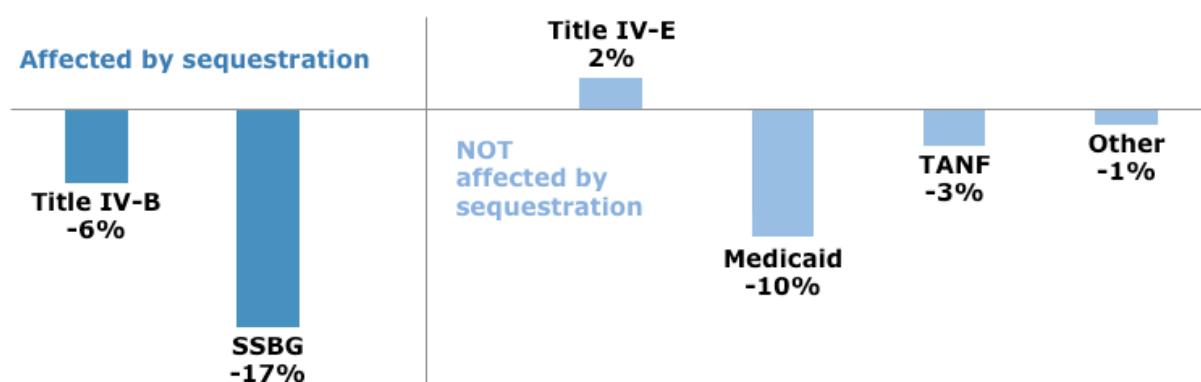
Title IV-E was the only federal source to experience an overall increase in expenditures from SFY 2012 to SFY 2014, but even within this funding source the picture is more complex. As the primary source of federal funds for child welfare, Title IV-E funds a sizeable portion of the service array for children and families through the Foster Care, Adoption Assistance, Guardianship Assistance, and Chafee Foster Care Independence programs. It is not surprising that expenditures in the various components can move independently from one another given the different populations and needs served by each component. In fact, we found that two of these components (Adoption Assistance and Guardianship Assistance) increased and two decreased (Foster Care and Chafee Foster Care Independence Program) between SFYs 2012 and 2014.

On the one hand, increases in Title IV-E expenditures seem inevitable. As compared to FFY 2012, in FFY 2014 the number of children in foster care increased, the eligibility criteria for adoption assistance payments continued to expand, and the number of states participating in the guardianship assistance program increased. On the other hand, the proportion of children in out-of-home care for which child welfare agencies received reimbursement under Title IV-E continued to decline, as did the number of children adopted (U.S. DHHS, 2015).⁶² These competing forces are central to a proper understanding of overall changes in the structure of child welfare financing.

Role of recent legislation

There are broad economic and political forces which often impact child welfare financing. One such example in SFY 2014 was sequestration. The Budget Control Act of 2011 (P.L. 112-25, as amended) stipulated automatic spending cuts if Congress was unable to reduce spending on its own. Most child welfare funding sources were not affected by sequestration. However, two sources, Title IV-B, subpart 2, and SSBG were affected, making sequestration partially responsible for the reduction in federal funds supporting child welfare services. It is worth mentioning that these two federal sources represent some of the most flexible funds available to child welfare agencies, so cuts to these funding streams can have a profound impact on the service array provided by states.

Figure 24. Change in federal spending between SFY 2012 and SFY 2014, by federal funding source



Note: For each funding source, the percentage change was computed based on analysis of states with comparable data for that particular source for the two years being compared.

States are also starting to see the impacts of the Fostering Connections Act, which has influenced expenditures in the Title IV-E Foster Care, Adoption Assistance and Guardianship Assistance programs. Included in this legislation was the option for states to extend Title IV-E assistance up to age 21, and as of SFY 2014, 21 jurisdictions have exercised this option. While the implications of this legislation are still being explored, it is safe to presume that this change will impact foster care caseloads in those states. Also, as adoption assistance eligibility broadened, the number of children receiving adoption subsidies and the overall funding level of the adoption assistance program increased. Likewise, there has been a 26 percent increase in KinGAP expenditures in SFY 2014 over SFY 2012. More states have taken up the option made available in the legislation, which allows for IV-E reimbursement of assistance payments made to eligible relative caregivers who opt to pursue legal guardianship. In addition, most states that already had KinGAP in place saw an expansion in SFY 2014.

Use of funds

We also continue to explore reported uses of SSBG and TANF funds. Given the greater flexibility in the use of these sources compared with Title IV-E, it was speculated that states were using TANF and SSBG

⁶² In SFY 2012, the foster care coverage rate (or “penetration rate”) was 52 percent. This year, it was 51 percent. These numbers are not directly comparable (see footnote 29), but it appears the downward trend seen in this coverage rate is continuing.

funds to support non-foster care services, such as prevention and post-permanency services. However, when asked in the SFY 2012 survey, we did not find this to be the case. The top three uses of these funds were for the “core” child welfare activities of foster care, protective services, and administrative costs. This year, while it remains clear that states continue to use these funds to finance core child welfare functions (e.g., foster care and protective services), the top three uses of these funds also included the categories of family preservation services for TANF (services provided to families to help children remain in or return to their homes) and prevention and intervention services for SSBG (services to prevent or intervene in cases of maltreatment and family violence).

We also requested additional detail this year on how states are spending their funds in child welfare. For SFY 2014, states reported spending approximately half of all of funds (federal and state/local) on out-of-home placement costs. States report spending almost 20 percent of their federal funds on adoption and guardianship supports. This is notable, as the adoption and guardianship category represents services provided post-permanency. In general, states appear to spend their federal and state/local dollars in similar ways, although state/local funds were used more for prevention services and less for adoption and legal guardianship than federal dollars. It is important to note that several states were unable to report on how they used their funds. Moreover, some states were only able to determine how they spend funds *overall*, not how they spend federal funds vs. state/local funds. We expect that future surveys will shed more light on the uses of these dollars.

Figure 25. Proportion of federal and state/local expenditures on categories of services



Note: Federal figures are based on an analysis of 46 states and state figures are based on an analysis of 44 states that provided sufficient information. Most states were only able to provide approximations for how their funds were spent. Percentages may not equal 100 percent due to rounding.

Finally, this is the first time we asked states to report on the survey how they spent Title IV-E waiver dollars. The majority of these funds (60 percent) were spent on costs that would have been reimbursed without the waiver, but 40 percent were spent on costs that would not have been allowed under traditional IV-E eligibility criteria. Almost one third of waiver dollars are used to pay for the traditional IV-E activities for children who are not IV-E eligible, which suggests that states are using these funds to address the gap created by the decreasing number of children eligible for reimbursement under IV-E.

In spite of the flexibility allowed under waivers, which many believe is the most valuable feature of the waiver and allows states to serve as laboratories for new funding and service arrangements, states only used nine percent—under \$100 million—to cover costs outside the scope of traditional IV-E services/activities. However, the federal Title IV-E waiver picture does not capture the possible benefits to the state child welfare financing system as a whole. Even in states that are using a waiver to fund only IV-E eligible activities for non-IV-E eligible children, other dollars that would have gone to cover these costs for non-IV-E eligible children are presumably freed up, and might be available to be used in more innovative ways.

For almost the past two decades, the child welfare financing surveys have provided critical data to inform discussions about child welfare financing reform. Our discussions of this issue will be more

productive if we understand trends in how states use federal, state, and local funds, and for which services. Driven by a shared interest in improving outcomes for children and families served by child welfare agencies, administrators and policymakers need objective, up-to-date information on states' financing. To further inform financing reform deliberations, we encourage readers to review the funding source fact sheets and state fact sheets on the [Child Trends website](#) that accompany this report. These fact sheets provide additional detail about each of the funding sources presented in this report, and offer state-level information for all 52 states.



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